

Limited Brands

December 14, 2011

Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Attn: Office of the Secretary

**Re: Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation**

Members of the Board:

We appreciate the opportunity to respond to you regarding the Board's *Concept Release on Auditor Independence and Audit Firm Rotation* ("Concept Release"), issued by the Board on August 16, 2011.

By way of background, Limited Brands, Inc. (NYSE: LTD) is a \$10 billion global specialty retailer focused on intimate and other apparel, personal care and beauty. Our specialty retail brands include Victoria's Secret and Bath & Body Works. We have been in business for nearly 50 years and employ over 90,000 associates.

Our management team, our Audit Committee and our stakeholders value accurate and informative financial statements and financial information. As a result, we appreciate and value a quality external audit. We appreciate and support the PCAOB's objective to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.

We support the Board for considering how to enhance auditor independence, objectivity and professional skepticism. These standards are critical for a quality audit and instrumental to investor confidence in the audits of public company financial statements. With that background, we do not believe that mandatory audit firm rotation would improve auditor independence, objectivity or skepticism. We believe that mandatory rotation would fail to provide benefit to investors but would entail significant disadvantages and risks.

No Linkage between Mandatory Rotation and Audit Quality

In the Concept Release, the Board acknowledges that there is no evidence that links auditor tenure to audit failure. The Concept Release states that the Board's own inspection data shows no correlation between auditor tenure and the number of comments in PCAOB inspection reports. This is consistent with our experience and belief that most financial reporting and audit issues appear to be driven by a lack of knowledge, competence or supervision on the part of management or the auditor, not by auditor tenure.

In our view, auditor tenure actually increases audit quality rather than detracts from it. A knowledgeable audit firm understands the audit risk associated with a client and can more effectively design audit procedures to address that risk. They are more prepared to react quickly to changing business conditions as they already have an up-to-date understanding of the client's risk profile and existing business environment.

The PCAOB has access to significant data from the engagements selected for inspection. We believe that it is extremely beneficial for the PCAOB to continue its efforts to analyze the root cause of audit quality issues evidenced in the data. We believe that the learnings that arise from this analysis could be very beneficial to improving audit quality, as opposed to mandating auditor rotation.

In addition, there are many positive things in existence today to emphasize auditor independence including the PCAOB's existing inspection process, the role of the Audit Committee, prohibition of certain non-audit services, mandatory partner rotation and audit firm quality review processes and training. We support continued emphasis and improvement in these areas.

Negative Consequences of Mandatory Rotation

We do not believe that mandatory audit firm rotation will enhance independence, objectivity and professional skepticism. We also believe that there are a number of negative consequences.

First, we believe mandatory rotation would result in increased audit risk, particularly during the transition periods. Our experience suggests that audit effectiveness increases over time as the auditor acquires institutional knowledge about the client and the client's industry. As a result of this learning curve, we believe audits have more risk at the beginning of the audit engagement. Further, in a mandatory rotation model, auditors may be less focused on audit quality during the latter stages of the engagement period as they begin to focus on, and are distracted by, proposals and new engagements.

Secondly, the costs associated with rotation are significant, both in terms of the costs of performing the audit as well as the costs borne by clients due to the periodic turnover in auditors. With respect to audit costs, we believe auditors will be forced to increase audit fees to recover the additional investments that are required during the initial period of the audit engagement. Our auditors perform audit testwork in multiple countries which further complicates and increases the costs associated with transition. Additionally, the costs of auditor transitions to the client are substantial and include such factors as the distraction to management associated with managing auditor transition and investments in developing the auditors' knowledge of the client's business model, operating characteristics and industry.

We also see a number of potential problems in the area of auditor selection including potentially conflicting audit firm rotation regulations in different parts of the world; companies in specialized industries where viable audit provider alternatives may be scarce; smaller markets where local audit firm resources are scarce or lack appropriate industry knowledge; and service provider conflicts between audit and non-audit services. It is impossible to justify incurring these challenges when there are no measurable benefits.

Role of the Audit Committee

We believe that our Audit Committee is in the best position to oversee the independence of our auditors. We note that several regulatory provisions have worked to provide strong Audit Committee oversight, including the requirement that the Audit Committee hires the external audit firm, independence requirements for Audit Committee members and pre-approval for non-audit services provided by the audit firm.

Audit Committees are appropriately positioned to evaluate the need for audit firm rotation. In fact, we believe that mandatory audit firm rotation may diminish the role of the Audit Committee with respect to oversight of external auditors. Our Audit Committee did lead a change in our audit firm in 2003 in an effort to improve audit quality. The change was based upon a thorough evaluation and process with an unwavering focus on obtaining a quality audit. We are confident that our Audit Committee would not hesitate to reexamine a change in audit firms in order to achieve a quality audit.

Conclusion

We appreciate the outreach of the Board to continue to protect the interests of investors by assessing auditor independence, objectivity and professional skepticism. However, we do not believe that mandatory audit firm rotation will achieve that goal. In our opinion, mandatory audit firm rotation would increase audit risk and cost and would not provide any meaningful benefits.

We thank you for the opportunity to provide our comments on this important topic.

Sincerely,



Stuart B. Burgdoerfer
*Executive Vice President,
Chief Financial Officer*



Wendy C. Arlin
*Senior Vice President,
Corporate Controller*